

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE BATH COUNTY WATER	)	
DISTRICT, OF BATH COUNTY, KENTUCKY, FOR	)	CASE NO. 9929
APPROVAL OF CONSTRUCTION, FINANCING, AND	)	
INCREASED WATER RATES	)	

O R D E R

Bath County Water District ("Bath County") by application filed May 8, 1987, is seeking: (a) approval of its water service rates; (b) authorization to construct a \$1,195,000 waterworks improvement project; and (c) approval of its plan of financing for this project. The project funding includes a \$375,000 loan from the Farmers Home Administration ("FmHA"), a \$375,000 grant from FmHA, a \$400,000 grant from Appalachian Regional Commission, and \$45,000 from applicants for service in the proposed project area. The FmHA loan will be secured by waterworks revenue bonds maturing over a 40-year period at an interest rate of 5 percent per annum.

The proposed construction will provide service to approximately 150 additional customers. Drawings and specifications for the proposed improvements by Mays, Sudderth & Etheredge, Inc., of Lexington, Kentucky, ("Engineer") and have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Neither Bath County nor the Commission sought a hearing in this matter. There were no intervenors and all requested information has been filed.

On July 21, 1987, the Commission staff conducted a field review of Bath County's test period financial records. On September 21, 1987, the staff issued a report containing its recommendations. Bath County made no response to the staff report. After careful review and investigation of the staff's recommendations, the Commission is of the opinion that, after the staff's proposals are implemented, Bath County will have adequate cash flow to meet its operating expenses and service its existing and proposed debt. Therefore, the Commission affirms the staff's recommended increase of \$63,058.

#### CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

The evidence indicates that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. However, there are several areas which could have residual pressure below 30 psig, in violation of 807 KAR 5:066, Section 6(1). In addition, there are several areas which could have pressure above 150 psig, in violation of 807 KAR 5:066, Section 6(1).

The Commission reminds Bath County of its obligation to provide adequate and reliable service to all of its customers. Bath County should monitor the adequacy of the expanded water distribution system after construction. If this monitoring indicates that the level of service is inadequate or declining, or

the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 6(1), Bath County must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

#### FIRE HYDRANT INSTALLATION

Bath County originally proposed installing six new conventional fire hydrants as part of this construction project. These fire hydrant installations are not in compliance with Standard 24 of the National Fire Protection Association as adopted by 815 KAR 10:020 and the "Recommended Standards For Water Works" by the Great Lakes-Upper Mississippi River Board of State Sanitary Engineers as adopted by 401 KAR 6:200.

Bath County did not provide any information showing that these fire hydrants are capable of providing fire protection.

The Commission in good conscience cannot approve the installation of conventional fire hydrants that cannot provide fire protection in compliance with both state regulations and accepted engineering criteria. There are other pieces of water system equipment which can be used for the intended operation and maintenance procedures instead of fire hydrants. The installation of conventional fire hydrants may mislead the customers of Bath County into believing that the water distribution system is capable of providing adequate and reliable volumes of water for fire protection purposes. Under these circumstances the proposed conventional fire hydrants should not be installed.

#### RATE DESIGN

Bath County's current rate design consists of six steps ranging from a minimum usage level of 2,000 gallons to an over 50,000 gallons category. No change in rate design was requested.

Staff has compared the percentage distribution of test year bills, usage, and revenue through the rate schedule. This comparison showed that the number of customers and usage patterns of those customers follow the usage increments of the current rate design in a reasonably consistent manner. Likewise, the revenue generated by the existing rate increment indicates an equitable distribution of both fixed and variable costs. Each rate step was increased by approximately the same percentage to arrive at proposed rates which would generate the required revenue, thus, maintaining the revenue distribution pattern. The rates in the attached Appendix will produce \$319,892 annually.

#### FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record, and being advised, is of the opinion and finds that:

1. With the appropriate monitoring of the system after construction, and the deletion of the conventional fire hydrants, public convenience and necessity require that the construction proposed in the application be performed and that a certificate of public convenience and necessity be granted.

2. The proposed construction consists of approximately 23.2 miles of 6-inch diameter pipelines, 3 storage tanks with total capacity of 450,000 gallons, and related appurtenances. The low

bids totaled \$896,000 which will require about \$1,195,000 after allowances are made for fees, contingencies, and other indirect costs.

3. Bath County should monitor the adequacy of the expanded water distribution system after construction. If the level of service is inadequate or declining, Bath County should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

4. Any deviations from the construction herein approved which could adversely affect service to any customer should be done only with the prior approval of the Commission.

5. Bath County should furnish duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

6. Bath County's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

7. Bath County should require the Engineer to furnish a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

8. The financing plan proposed by Bath County is for lawful objects within its corporate purpose, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not impair its ability to perform these services. The financing plan is reasonably necessary and appropriate for such purposes and should, therefore, be approved.

9. Bath County should be granted rates which would produce additional annual revenues of \$63,058.

10. The rates in Appendix A are the fair, just and reasonable rates to be charged by Bath County in that they should produce annual revenues from water sales of \$319,892.

11. Within 30 days of the date of this Order, Bath County should file with this Commission its revised tariff sheets setting out the rates approved herein.

IT IS THEREFORE ORDERED that:

1. Bath County be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein on the condition that the system be monitored and corrective action taken in accordance with Finding 1 and Finding Number 3 of this Order and that the conventional fire hydrants be deleted.

2. Bath County's financing plan consisting of an FmHA loan of \$375,000, FmHA grant of \$375,000, Appalachian Regional Commission grant of \$400,000, and connection fees of \$45,000 is approved. The proceeds of the FmHA loan shall be used only for the purposes specified in Bath County's application.

3. Bath County shall comply with all matters set out in Findings 3 through 8 as if the same were individually so ordered.

4. Bath County should be granted rates which would produce additional annual revenues of \$63,058.

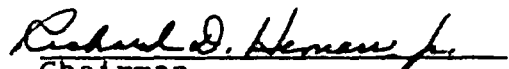
5. The rates in Appendix A are the fair, just and reasonable rates to be charged by Bath County in that they should produce annual revenues from water sales of \$319,892.

6. Within 30 days of the date of this Order, Bath County should file with this Commission its revised tariff sheets setting out the rates approved herein.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 28th day of January, 1988.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

ATTEST:

\_\_\_\_\_  
Executive Director

  
Commissioner

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9929 DATED 1/28/88

The following rates and charges are prescribed for the customers in the area served by Bath County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

#### Monthly Rates

##### 5/8" x 3/4" Meter

First 2,000 gallons	\$7.00 Minimum Bill
Next 3,000 gallons	2.75 per 1,000 gallons
Next 5,000 gallons	1.75 per 1,000 gallons
Next 10,000 gallons	1.25 per 1,000 gallons
Next 30,000 gallons	1.10 per 1,000 gallons
Over 50,000 gallons	1.00 per 1,000 gallons

##### 3/4" Meter

First 5,000 gallons	\$15.25 Minimum Bill
Next 5,000 gallons	1.75 per 1,000 gallons
Next 10,000 gallons	1.25 per 1,000 gallons
Next 30,000 gallons	1.10 per 1,000 gallons
Over 50,000 gallons	1.00 per 1,000 gallons

##### 1" Meter

First 10,000 gallons	\$24.00 Minimum Bill
Next 10,000 gallons	1.25 per 1,000 gallons
Next 30,000 gallons	1.10 per 1,000 gallons
Over 50,000 gallons	1.00 per 1,000 gallons

##### 1 1/2" Meter

First 20,000 gallons	\$36.50 Minimum Bill
Next 30,000 gallons	1.10 per 1,000 gallons
Over 50,000 gallons	1.00 per 1,000 gallons

##### 2" Meter

First 50,000 gallons	\$69.50 Minimum Bill
Over 50,000 gallons	1.00 per 1,000 gallons



Sharpsburg Water  
City of Frenchburg  
Bulk Sales

\$1.25 per 1,000 gallons  
1.08 per 1,000 gallons  
5.00 per 1,000 gallons